



Ernie Fletcher
Governor

LaJuana S. Wilcher, Secretary
Environmental and Public
Protection Cabinet

Christopher L. Lilly
Commissioner
Department of Public Protection

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

Mark David Goss
Chairman

Teresa J. Hill
Vice Chairman

Gregory Coker
Commissioner

February 2, 2006

Ray Edelman, Esq.
150 South Main Street
Lawrenceburg, KY 40342

Mr. Bob Kinzer
South Anderson Water District
P. O. Box 17
Lawrenceburg, KY 40342

Ms. Brenda Robinson
South Anderson Water District
P. O. Box 17
Lawrenceburg, KY 40342

Re: Case No. 2005-00221
South Anderson Water District

Gentlemen and Ms. Robinson:

The enclosed memorandum has been filed in the record of the above-referenced case. Any comments regarding this memorandum's contents should be submitted to the Commission within five days of receipt of this letter. Any questions regarding this memorandum should be directed to Gerald Wuetcher, Commission counsel, at (502) 564-3940, Extension 259.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell
Executive Director

gw
Enclosure

Honorable Ray Edelman
Attorney At Law
150 South Main Street
Lawrenceburg, KY 40342

Bob Kincer
Chairman
South Anderson Water District
246 Court Street
P. O. Box 17
Lawrenceburg, KY 40342

Brenda Robinson
Office Manager
South Anderson Water District
246 Court Street
P. O. Box 17
Lawrenceburg, KY 40342

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File No. 2005-000021

FROM: Jess Thompson *JT*
Financial Analyst

Gerald Wuetcher *GW*
Assistant General Counsel

DATE: February 2, 2006

RE: Conference of January 20, 2006

On January 20, 2006, Commission Staff held a conference in this case in the Commission's offices in Frankfort, Kentucky. Present were:

Janet Bryant	-	South Anderson Water District
Sharm Cook	-	South Anderson Water District
Ray Edelman	-	South Anderson Water District
George Kinne	-	South Anderson Water District
Brenda Robbins	-	South Anderson Water District
Ken Taylor	-	Kenvirons, Inc.
Linda Maddox	-	Commission Staff
Scott Lawless	-	Commission Staff
Virginia Smith	-	Commission Staff
Jess Thompson	-	Commission Staff
Gerald Wuetcher	-	Commission Staff

At the request of South Anderson Water District, Commission Staff scheduled a conference to discuss the issues that its application presents.

Beginning the conference, Mr. Wuetcher stated that Commission Staff would prepare minutes of the conference for the case record, that a copy of these minutes would be provided to all parties, and that all parties would be given an opportunity to submit written comments upon those minutes.

Mr. Edelman requested an opinion on the likelihood of the Commission approving South Anderson Water District's proposed tariff revisions. He stated that, while the information that Commission Staff requested in its First Information Request was relevant, South Anderson Water District did not wish to incur the cost of gathering this information if the likelihood of a favorable decision was low.

Mr. Wuetcher responded that Commission Staff could not provide such an opinion. Noting that the Commission had previously granted a deviation from Administrative Regulation 807 KAR 5:066, Section 13, in Case No. 1997-00468,¹ he stated that the Commission has no policy excluding deviations to the regulation. The Commission's response is fact specific. Mr. Wuetcher noted that the utility that is seeking the deviation bears the burden of demonstrating that good cause exists for a deviation. "Good cause" requires an examination of the applicant utility's circumstances. For that reason, Mr. Wuetcher noted, Commission Staff had issued its request for information to South Anderson Water District.

Mr. Wuetcher noted that one basis for a deviation is rapid growth of subdivision developments in a water utility's service territory. He explained that with such rapid growth, a water utility may not have the ability to meet its financial obligations under Administrative Regulation 807 KAR 5:066, Section 13, and still provide quality service. He noted that some utility representatives have argued that, under rapid growth conditions, a water utility could lose control of its finances as it attempted to comply with the regulation's refund provisions. The purpose of Commission Staff's Second Request for Information was to ascertain if such condition existed in the case of South Anderson Water District.

South Anderson Water District's representatives stated that the water district is experiencing such growth. There are currently 7 to 8 subdivision real estate developments under construction. The water district is currently refunding approximately \$9,000 to \$10,000 monthly to subdivision developers as residences are being connected to the water district's distribution system.

Commission Staff noted that any revisions in South Anderson Water District's current extension policy would be prospective only. Existing subdivisions developments would not likely be affected.

Commission Staff suggested that South Anderson Water District consider amending its tariff to delay refunds to subdivision developers. Staff members noted that the regulation is silent on the timing for refunds to developers. They suggested that the water utility make refunds to developers over a 10- or 20-year period rather than immediately upon a housing unit's connection to the water district's distribution system. They drew an analogy to payments on long-term bonds that allow a water district to finance and construct significant water system improvements immediately and then pay for those improvements over a 20- or 40-year period.

South Anderson Water District's representatives stated that they would consider Commission Staff's suggestions and would respond to the Commission Staff's Second Request for Information. The conference then adjourned.

¹ Case No. 1997-00468, Proposed Revisions to the Mainline Extension Policy of Northern Kentucky Water Service District (Ky.PSC Sep. 4, 1998)